

Pursuing High-Quality Sustainable Growth: SGA Emerging Markets Growth SMA



The SGA Emerging Markets Growth portfolio pursues emerging markets growth companies that demonstrate strong, predictable, and sustainable growth potential in an effort to deliver smoother ride access to a historically volatile asset class. Sustainable Growth Advisers (SGA) applies its time-tested process to identify and invest in high-quality companies able to benefit from attractive secular growth trends but with a generally lower risk profile than the broader emerging markets universe.

Quality, Growth, and Valuation: Three Essential Portfolio Elements

1. QUALITY

Proprietary bottom-up, fundamental research seeks to identify only those few differentiated businesses that offer strong, predictable, sustainable earnings and cash flow growth. This leads to businesses with specific characteristics:

- **Pricing power** to secure consistently strong profitability, as demonstrated by generally higher gross margins
- **Recurring revenue** for a high degree of business predictability, resulting in lower volatility in sales and EPS growth
- **Growth opportunity** with a long runway of sustainable growth into unsaturated markets
- **Financial strength** from high capital returns and strong cash flows, and the ability to effectively and efficiently generate strong free cash flow from earnings, as demonstrated in the higher cash flow/earnings ratio, and without a reliance on high debt
- **Management strength** to execute responsibly as good stewards of shareholder capital

2. GROWTH

A focus on superior sustainable growth companies has resulted in a portfolio with significantly higher revenues and earnings growth than the Index since the portfolio's inception in 2014.

3. VALUATION

The portfolio strives to invest in sustainable growth business that are attractively valued on a cash flow basis, as measured by enterprise yield—a proprietary measure of free cash flow truly available to investors (CFATS) as a percentage of market value.

PORTFOLIO CHARACTERISTICS VS. INDEX

As of 12/31/23

Quality	SGA EMG	MSCI EM Index
Gross Margin	38%	36%
Cash Flow/ Earnings Ratio	88%	66%
Net Debt/ EBITDA	0.8x	0.3x
Earnings Variability	8.1%	26.6%

Growth	SGA EMG	MSCI EM Index
EPS Growth	15.1%	-0.6%
Revenue Growth	12.6%	-0.9%

Since inception (8/1/2014)

Valuation	SGA EMG	MSCI EM Index
Enterprise Yield	3.9%	4.1%

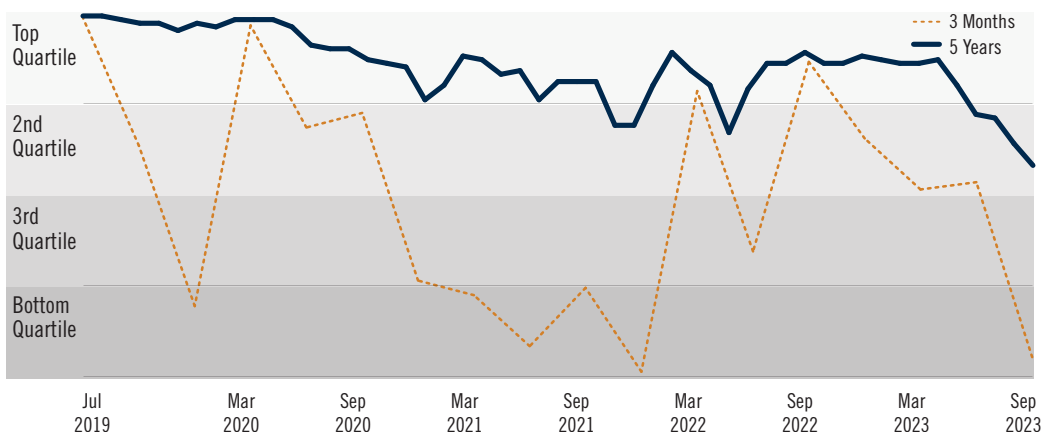
Past performance is not indicative of future results.

Source: Bloomberg, FactSet, and SGA estimates and adjustments. C/E ratio, enterprise cash yield exclude banks and insurance industries. SGA C/E ratio and enterprise cash yield projected. Gross margin, C/E ratio, EY calculated as weighted average. Net Debt/EBITDA calculated as weighted average excluding securities +/- 1 standard deviation from the benchmark average and excluding bank, insurance, and investment banking and brokerage industries. CP All Net Debt/EBITDA uses consolidated figures. Earnings growth data is through 12/31/23 (last full calendar year of reported EPS data) for SGA's longest tenured account. SGA EPS growth data is based upon portfolio companies' non-GAAP operating earnings. EPS calculations exclude companies with earnings going from (i) positive to negative or (ii) negative to positive, year to year. Earnings variability is calculated using standard deviation of annual EPS growth, since inception 8/1/2014.

Taking a Longer-Term View of Performance

SGA believes the path to the winner's circle is not always a straight line. Good performance over the long run does not mean victory over every shorter-term period. Disciplined managers with a clearly defined process, and who do not chase short-term trends, will sometimes trail the pack. Investors who adopt a longer-term perspective can benefit from their discipline.

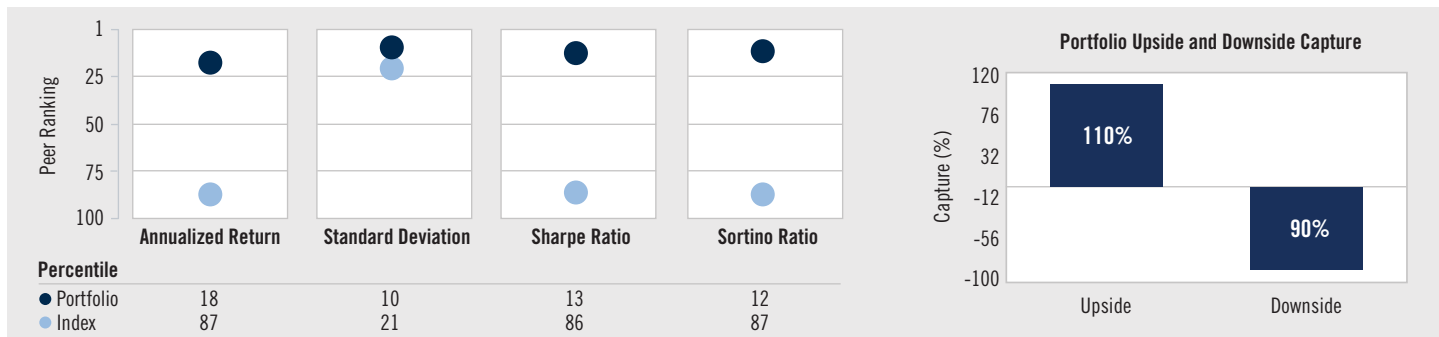
ROLLING RETURN RANK SGA Emerging Markets Growth SMA vs. eVestment Global Emerging Markets Equity Category



Over longer time frames, the portfolio's rankings have been more consistently positive as style headwinds tended to fade.

Past performance is not indicative of future results. SGA paid a standard fee to eVestment for access to rankings and other services. Based on since inception total gross returns and computed quarterly for 3-month returns and monthly for 5-year returns. Source: eVestment.

SGA EMERGING MARKETS GROWTH SMA (SINCE INCEPTION)



Past performance is not indicative of future results. As of 12/31/23. SGA paid a standard fee to eVestment for access to rankings and other services. Peer ranks based on gross returns as of 12/31/23. Universe is eVestment Global Emerging Markets Equity. Peer size is 289. Sortino Ratio uses a minimum acceptable return (MAR) of 0%.

Emerging Markets Offer Opportunity and Growth at a Compelling Price

Large Opportunity Set From large multinationals to smaller local businesses, there are approximately 19,000 companies in the emerging markets universe, dwarfing the U.S. market's investible universe of about 9,000 companies.¹ Additionally, emerging markets stocks have generally less analyst coverage than in U.S. markets, creating an attractive arena for skilled active managers to uncover overlooked opportunities and potentially outperform their benchmarks.²

High-growth Potential Emerging markets have higher long-term growth projections than developed markets, driven in part by strong secular trends such as a growing middle class and rising income levels, which are changing consumption patterns and leading to higher demand for goods and services. By 2030, over 60% of the world's population is expected to be a part of the global middle class, with much of this growth coming from emerging market economies.³

Attractive Relative Valuation With a value of 2.52, the MSCI Emerging Markets Index trades near its widest discount relative to the S&P 500® Index on a trailing 12-month price-to-book basis since 2000.⁴ As cycles shift and valuation differences revert to the mean, emerging markets may offer the potential to generate attractive returns over the long term.

¹As of Sept. 30, 2023. U.S. includes all common stocks in the United States with a market value greater than zero. Emerging Markets includes all common stocks in countries included in the MSCI Emerging Markets Index. The investible universe for the SGA Emerging Markets Growth SMA is comprised primarily of American Depositary Receipts (ADRs). Source: FactSet.

²Source: CaixaBank Research, based on estimates by Homi Kharas. www.caixabankresearch.com "The Emergence of the Middle Class: An Emerging Market Phenomenon," Claudia Canals, September 2019, Monthly Report – Dossier.

⁴As of Sept. 30, 2023. Value calculated by dividing the S&P 500 Index's price/book ratio by the MSCI Emerging Markets Index's price/book ratio. Source: FactSet.

Performance

	1-Year	3-Year	5-Year	Inception (8/1/2014)
SGA Emerging Markets Growth - Gross	7.2%	-7.0%	6.7%	5.4%
SGA Emerging Markets Growth - Net	4.1%	-9.8%	3.6%	2.3%
MSCI EM Net	9.8%	-5.1%	3.7%	2.0%
MSCI EM Growth Net	5.8%	-9.7%	3.9%	2.7%

Data as of 12/31/2023. MSCI Indexes are Net Total Return (MSCI Net Total Return Indexes reinvest dividends after the deduction of withholding taxes). Results are presented gross and net of management fees and include the reinvestment of all income (including dividends, interest and other earnings). For interest and capital gains, SGA does not withhold taxes. For dividends, SGA will withhold taxes as reported by the client's custodian. Returns are calculated net of withholding taxes on dividends. The Net Returns are calculated based on the deduction of a model fee of 3.00% being the highest applicable fee that may be charged to SGA clients for the Emerging Markets Growth WRAP equity strategy. Net Returns do account for custodian and brokerage fees. Actual fees charged to clients may vary depending on, among other things, the applicable fees schedule and portfolio size. SGA's fees are available upon request and may be found in Part 2A of its Form ADV. SGA Emerging Markets Growth WRAP composite inception is 8/1/2014. This information is supplemental and complements the GIPS Report on composite performance found on the last pages of this document. It should not be assumed that future results will be reflective of past performance.

Annual GIPS Report – Emerging Markets Growth WRAP

Period	Total Return				Number of Portfolios	Composite Dispersion	3 Year Standard Deviation			Total Assets in Composite at Period End (USD millions)	Total Firm Assets at Period End (USD millions)	Percentage of non-fee paying accounts	Percentage of WRAP accounts
	Before Fees	After Fees	MSCI EM Net TR Index	MSCI EM Growth Net TR Index			SGA Composite	MSCI EM Net TR Index	MSCI EM Growth Net TR Index				
Aug. 1 - Dec. 31, 2014	-1.38%	-2.61%	-9.59%	-7.09%	Five or Fewer	N/A				0.193	5,332	100%	0%
2015	-3.00%	-5.88%	-14.92%	-11.34%	Five or Fewer	N/A				0.094	5,318	100%	0%
2016	2.10%	-0.92%	11.19%	7.59%	Five or Fewer	N/A				0.096	5,672	100%	0%
2017	36.31%	32.38%	37.28%	46.80%	Five or Fewer	N/A	12.64%	15.35%	14.69%	0.130	9,971	100%	0%
2018	-11.00%	-13.66%	-14.57%	-18.26%	Five or Fewer	N/A	12.87%	14.60%	14.98%	0.116	9,096	100%	0%
2019	30.97%	27.17%	18.42%	25.10%	Five or Fewer	N/A	13.38%	14.17%	15.41%	5	12,347	0%	0%
2020	31.22%	27.42%	18.31%	31.33%	Five or Fewer	N/A	18.45%	19.60%	19.96%	6	18,780	0%	0%
2021	-14.37%	-16.93%	-2.54%	-8.41%	Five or Fewer	N/A	18.56%	18.33%	18.96%	86	22,899	0%	0%
2022	-12.35%	-14.98%	-20.09%	-23.96%	Five or Fewer	N/A	20.53%	20.26%	21.36%	94	18,407	0%	0%

N/A- Information is not statistically meaningful due to an insufficient number of portfolios in the composite for the entire year.

3 Year Standard Deviation is not shown for 2014, 2015, and 2016 as 36 months of returns are not available

* Since Inception Annualized Standard Deviation. SGA Composite Dispersion based on Gross Returns.

Sustainable Growth Advisers, LP (“SGA”) was formed in 2003 and is a registered investment advisor under the Investment Advisers Act of 1940. SGA manages portfolios of publicly traded equity assets according to its “Large Cap Growth Equity” investment approach for pooled funds, institutions, trusts and private accounts. SGA is an operationally independent investment management firm that and is an affiliate of Virtus Investment Partners. The SGA Emerging Markets Growth WRAP Composite was created in September 2019. The firm maintains a complete list and description of all composites, which is available upon request.

Sustainable Growth Advisers, LP claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. Sustainable Growth Advisers, LP has been independently verified for the periods July 1, 2003 – December 31, 2022. The verification reports are available upon request.

A firm that claims compliance with the GIPS standards must establish policies and procedures for complying with all the applicable requirements of the GIPS standards. Verification provides assurance on whether the firm’s policies and procedures related to composite and pooled fund maintenance, as well as the calculation, presentation, and distribution of performance, have been designed in compliance with the GIPS standards and have been implemented on a firm-wide basis. Verification does not provide assurance on the accuracy of any specific performance report.

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The SGA Emerging Markets Growth WRAP Composite contains fee paying and non-fee paying discretionary global large cap emerging growth equities portfolios that invest in companies around the world that are direct beneficiaries of the rapid emergence of the middle class across many developing economies and its related wealth creation. For comparison purposes the composite is measured against the MSCI Emerging Markets Growth Net and MSCI Emerging Markets Net Total Return Indices. The benchmarks are the most widely followed indices to track emerging market performance. The indices reinvest dividends after the deduction of withholding taxes, using a tax rate applicable to non-resident institutional investors who do not benefit from double taxation treaties. The net total return indices are most representative of what a passive investor in the index could expect to achieve taking into account the price level movements, dividends and taxes that are withheld on those dividends. Effective December 31, 2022, the MSCI ACWI with EM Exposure Net is no longer presented because it is not considered representative of the strategy as the portfolio invests primarily in companies domiciled in emerging markets.

The composite includes non-wrap accounts only, from 8/1/14 to 12/31/22.

The composite calculation has been appropriately weighted for the size of each portfolio on a time-weighted, total return basis. Monthly portfolio returns have been used in the construction of the composite. Results are based on fully discretionary accounts under management, including those accounts no longer with the firm.

The U.S. Dollar is the currency used to express performance. Results are presented gross and net of management fees and include the reinvestment of all income. For interest and capital gains, SGA does not withhold taxes. For dividends, SGA will withhold taxes as reported by the Client’s custodian. Returns are calculated net of withholding taxes on dividends. Wrap fees include management, transaction, custody and other administrative fees. The Net Returns are calculated based upon the highest published fees. The net performance has been calculated by reducing the gross performance by the amount of the highest published wrap fee that may be charged to SGA clients, 3.00%, employing the Emerging Markets Growth WRAP strategy during the period under consideration. Actual fees charged to clients may vary depending on, among other things, the applicable fees schedule and portfolio size. SGA’s fees are available upon request and also may be found in Part 2A of its Form ADV. The annual dispersion presented is an asset-weighted standard deviation calculated using gross returns for the accounts in the composite the entire year. Policies for valuing investments, calculating performance, and preparing GIPS Reports are available upon request. **Past performance is not indicative of future results.**

The standard wrap fee schedule in effect is 3.00% on total assets. Actual investment advisory fees incurred by clients used in the composite may vary from the standard fee schedule.

About Sustainable Growth Advisers, a Virtus Investment Partner

Founded in 2003, Sustainable Growth Advisers is a growth equity manager focused on high-conviction U.S., global, emerging markets, and international portfolios.

To learn more, please contact us at 800-243-4361, or visit [virtus.com](https://www.virtus.com).

The commentary is the opinion of Sustainable Growth Advisers. This material has been prepared using sources of information generally believed to be reliable; however, its accuracy is not guaranteed. Opinions represented are subject to change and should not be considered investment advice or an offer of securities.

GLOSSARY

Gross Margin: A financial ratio indicating the percent of sales the company retains after incurring the direct costs associated with producing the goods and services it sells. Weighted harmonic average of the gross margin for the underlying portfolio holdings. **Cash Flow Available to Shareholders (CFATS)** = Op Cash Flow – Cap X – Sustaining Acquisitions – Unfunded Obligations (pensions, legal). Ratio is the weighted average of the underlying portfolio holdings, excluding companies in the Financials sector. **Cash Flow / Earnings (C/E Ratio):** A measure of proportion of earnings that is converted into cash (CFATS / Earnings). Cash Flow Available to Shareholders (CFATS) = Op Cash Flow – Cap X – Sustaining Acquisitions – Unfunded Obligations (pensions, legal). Ratio is the weighted average of the underlying portfolio holdings, excluding companies in the Financials sector. **Net Debt/EBITDA:** (Total Debt – Cash & Equivalents)/(Earnings Before Interest, Taxes, Depreciation, and Amortization) measured as a weighted average excluding securities +/- 1 standard deviation from the average. **EPS Growth Volatility:** Measures the standard deviation of the EPS growth rates. Higher standard deviation suggests greater risk. **Enterprise Yield (EY):** A proprietary measure of the free cash flow truly available to investors as a percentage of market value (CFATS / Market Capitalization). **Earnings/Share (EPS) Growth:** Indicates the earnings available to each common share. Earnings/share growth is the growth rate of these earnings per share. On a portfolio level, this statistic measures the trailing earnings per share growth of a portfolio's holdings. **Sharpe Ratio:** A risk-adjusted measure calculated using standard deviation and excess return to determine reward per unit of risk. **Sortino Ratio:** A ratio that differentiates negative volatility from total overall volatility by using the asset's standard deviation of negative portfolio returns. **Upside Capture:** A ratio calculated by taking the portfolio's return during the periods of positive benchmark performance and dividing it by the benchmark return. **Downside Capture:** A ratio calculated by taking the portfolio's return during the periods of negative benchmark performance and dividing it by the benchmark return. **Standard Deviation:** Measures variability of returns around the average return for an investment portfolio. Higher standard deviation suggests greater risk. **Price/Book:** Per-share stock price divided by the latest 12-month per-share Book Value.

The **MSCI Emerging Markets Index (net)** measures equity market performance in global emerging markets. This index is free float-adjusted market cap-weighted and calculated on a total return basis with net dividends reinvested. The **MSCI Emerging Markets Growth Index** captures large and mid cap securities exhibiting overall growth style characteristics across 24 Emerging Markets (EM) countries. The growth investment style characteristics for index construction are defined using five variables: long-term forward EPS growth rate, short-term forward EPS growth rate, current internal growth rate and long-term historical EPS growth trend and long-term historical sales per share growth trend. The **S&P 500® Index** is a free-float market-capitalization weighted index of 500 of the largest U.S. companies. The indexes are unmanaged, returns do not reflect any fees, expenses, or sales charges, and they are not available for direct investment.

IMPORTANT RISK CONSIDERATIONS

Equity Securities: The market price of equity securities may be adversely affected by financial market, industry, or issuer-specific events. Focus on a particular style or on small, medium, or large-sized companies may enhance that risk. **Foreign & Emerging Markets:** Investing in foreign securities, especially in emerging markets, subjects the portfolio to additional risks such as increased volatility, currency fluctuations, less liquidity, and political, regulatory, economic, and market risk. **Market Volatility:** The value of the securities in the portfolio may go up or down in response to the prospects of individual companies and/or general economic conditions. Local, regional, or global events such as war or military conflict, terrorism, pandemic, or recession could impact the portfolio, including hampering the ability of the portfolio's manager(s) to invest its assets as intended. **Limited Number of Investments:** Because the portfolio has a limited number of securities, it may be more susceptible to factors adversely affecting its securities than a portfolio with a greater number of securities. **Industry/Sector Concentration:** A portfolio that focuses its investments in a particular industry or sector will be more sensitive to conditions that affect that industry or sector than a non-concentrated portfolio. **Consumer Concentration:** Because the portfolio is presently heavily weighted in the consumer sector, it will be impacted by that sector's performance more than a portfolio with broader sector diversification. **ESG:** The portfolio's consideration of ESG factors could cause the portfolio to perform differently from other portfolios. While the subadviser believes that the integration of ESG factors into the portfolio's investment process has the potential to contribute to performance, ESG factors may not be considered for every investment decision and there is no guarantee that the integration of ESG factors will result in better performance. **Currency Rate:** Fluctuations in the exchange rates between the U.S. dollar and foreign currencies may negatively affect the value of the portfolio's shares. **Depository Receipts:** Investments in foreign companies through depository receipts may expose the portfolio to the same risks as direct investments in securities of foreign issuers.

Not all products or marketing materials are available at all firms.

Not insured by FDIC/NCUSIF or any federal government agency. No bank guarantee. Not a deposit. May lose value.

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